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Springfield, IL 62707  
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Via ECFS

October 22, 2013

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 Twelfth Street S.W.  
Room 5-A225  
Washington, D.C. 20554

**Re: FCC Form 481 being filed in accordance with the annual reporting requirements of 47 C.F.R. §54.313 and 54.422, WC Docket Nos. 10-90 and 11-42 before the Federal Communications Commission.**

Dear Ms. Dortch,

In accordance with the annual reporting requirements of 47 C.F.R. §54.313 and 54.422, New Florence Telephone Company is submitting FCC Form 481 via the FCC's Electronic Comment Filing System (ECFS).

This information was filed online with USAC and was filed with the Missouri Public Service Commission on or prior to October 15, 2013.

Please contact me with any questions you have on these filings.

Sincerely,

*/s/ David Winter*

David Winter  
Senior Consultant  
GVNW Consulting, Inc.  
(719) 594-5800  
[dwinter@gvnw.com](mailto:dwinter@gvnw.com)

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code	421927
<015> Study Area Name	NEW FLORENCE TEL CO
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Bruce Steed
<035> Contact Telephone Number: Number of the person identified in data line <030>	2085482345
<039> Contact Email Address: Email of the person identified in data line <030>	bruce@directcom.com

ANNUAL REPORTING FOR ALL CARRIERS			54.313 Completion Required	54.422 Completion Required
(check box when complete)				
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<310> Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	
<320> Unfulfilled Service Requests (broadband)	<input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<330> Detail on Attempts (broadband)	421927mo330 (attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<410> Fixed	<input type="text" value="0.0"/>			
<420> Mobile	<input type="text" value="0.0"/>			
<430> Number of Complaints per 1,000 customers (broadband)		<input type="checkbox"/>	<input type="checkbox"/>	
<440> Fixed	<input type="text"/>			
<450> Mobile	<input type="text"/>			
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<510> <input type="text" value="421927mo510"/>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<610> <input type="text" value="421927mo610"/>	(attached descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>	
<1010> <input type="text"/>	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>	
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>	
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**(100) Service Quality Improvement Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	421927
<015>	Study Area Name	NEW FLORENCE TEL CO
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<030>	Contact Name - Person USAC should contact regarding this data	Bruce Steed
<035>	Contact Telephone Number - Number of person identified in data line <030>	2085482345
<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com
<110>	Has your company received its ETC certification from the FCC?	(yes / no ) <input type="radio"/> <input checked="" type="radio"/>
	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5	
<111>	year plan" filed with the FCC?	(yes / no ) <input type="radio"/> <input checked="" type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

- <112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

---

 Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

-- See attached worksheet --



<010>	Study Area Code	421927
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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

[illegible]

<010>	Study Area Code	421927
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<020>	Program Year	2014
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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

-- See attached worksheet --
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**(800) Operating Companies  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<035>	Contact Telephone Number - Number of person identified in data line <030>	2085482345
<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com
<810>	Reporting Carrier	New Florence Telephone
<811>	Holding Company	
<812>	Operating Company	New Florence Telephone

[illegible]

**(900) Tribal Lands Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<030>	Contact Name - Person USAC should contact regarding this data	Bruce Steed
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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes,No, NA)

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

<1120> Please check this box to confirm no terrestrial backhaul  
options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers  
broadband service of at least 1 Mbps downstream and 256 kbps  
upstream within the supported area pursuant to § 54.313(G) ☒

**(1200) Terms and Condition for Lifeline Customers****Lifeline****Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	421927mo1210
		Name of attached document (.pdf)
<1220>	Link to Public Website	HTTP <a href="http://psc.mo.gov/">http://psc.mo.gov/</a>

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

**(2000) Price Cap Carrier Additional Documentation****Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

**CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.**

**Incremental Connect America Phase I reporting**

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)}
- <2011> 3rd Year Certification {47 CFR § 54.313(b)(2)}

☐  
☐
**Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}**

- <2012> 2013 Frozen Support Certification
- <2013> 2014 Frozen Support Certification
- <2014> 2015 Frozen Support Certification
- <2015> 2016 and future Frozen Support Certification

☒  
☐  
☐  
☐
**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

- <2016> Certification Support Used to Build Broadband

☒
**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

- <2017> 3rd year Broadband Service Certification
- <2018> 5th year Broadband Service Certification
- <2019> Interim Progress Certification
- <2020> Please check the box to confirm that the attached PDF , on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.
- <2021> Interim Progress Community Anchor Institutions

☐  
☐  
☐  
☐

Name of Attached Document Listing Required Information

\_\_\_\_\_

**(3000) Rate Of Return Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

**Progress Report on 5 Year Plan**

(3010)	Milestone Certification {47 CFR § 54.313(f)(1)(i)} Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information	<input type="checkbox"/>
(3012)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}		<input checked="" type="checkbox"/> (Yes/No)
(3014)	If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		<input type="checkbox"/>
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3018)	If the response is no on line 3014, Is your company audited?  If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input checked="" type="checkbox"/> (Yes/No)
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications		<input checked="" type="checkbox"/>
(3020)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit.  If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input checked="" type="checkbox"/>
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,		<input checked="" type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input checked="" type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input checked="" type="checkbox"/>
(3025)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	421927mo3026



**Certification - Reporting Carrier  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	NEW FLORENCE TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE
	Date
Printed name of Authorized Officer:	Garrin Bott
Title or position of Authorized Officer:	General Manager
Telephone number of Authorized Officer:	208-548-2345
Study Area Code of Reporting Carrier:	421927
Filing Due Date for this form:	10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	bruce@directcom.com

**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent:	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

New Florence complies with the service standards of the state of Missouri as promulgated in Missouri regulations 4 CSR 240 Chapters 32 and 33 (even though compliance with these regulations as been waived by the Missouri Public Service Commission). The Company is committed to providing the highest quality service to its customers.

Pursuant to 47 C.F.R. § 54.313(a)(6) and/or 47 C.F.R § 54.422(b)(4) as set forth in 47 C.F.R. § 54.202(a)(2) New Florence Telephone meets the requirements to remain functional in emergency situations and has the following capabilities: Back-up power is provided to New Florence Telephone's central and or remote office(s) by use of fixed generator and batteries that provide it with XX hours of emergency power service. In addition, New Florence Telephone's field electronics have 4-6 hours of back-up power by use of fixed/mobile generators and batteries. New Florence Telephone has no SONET technology in its network. New Florence Telephone has no redundant paths within its network to provide for the capability to reroute traffic. New Florence Telephone has equipped its remote offices/or field gear with Emergency Stand Alone technology that will provide for call completion and access to 911 in emergency situations. New Florence Telephone is capable of managing traffic spikes resulting from emergency situations.

## **NEW FLORENCE TELEPHONE COMPANY LIFELINE ASSISTANCE PROGRAM**

The Lifeline Assistance Program is a plan that assists qualified low-income applicants with reductions in their monthly local exchange service rate. The assistance applies to a single telephone line at the applicant's principal place of residence. Qualified applicants monthly local exchange service rate may be reduced by up to \$12.75.

Eligibility will be based on participation in a qualifying program. For more information about Lifeline Assistance you may contact us at 573-835-2997, visit the office located at 101 N Main St., New Florence, MO or visit our website <http://www.newflorence.com>.

You must prove eligibility by submitting a form signed under penalty of perjury that you receive benefits from or a copy of any dated document which verifies your participation in a qualifying program.

Benefits take effect when proof of eligibility is received and will be reviewed periodically. Benefits will be discontinued when you no longer participate in the qualifying program or do not provide proof of eligibility when requested. Customers no longer eligible **must** notify their service provider.

**Being a Lifeline customer does not protect you from being disconnected if you fail to pay your telephone bill.**

**Lifeline discounts cannot be applied to an outstanding balance owed to your phone company.**

**Lifeline can only be applied to one telephone line per household.**

NEW FLORENCE TELEPHONE COMPANY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011





NEW FLORENCE TELEPHONE COMPANY, INC.  
FINANCIAL REPORT  
DECEMBER 31, 2012 AND 2011

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Florence Telephone Company, Inc.  
New Florence, Missouri

We have audited the accompanying balance sheets of New Florence Telephone Company, Inc. (a Missouri corporation) as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Florence Telephone Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Wiggins & Co., LLC*

Brigham City, Utah  
February 7, 2013

NEW FLORENCE TELEPHONE COMPANY, INC.  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 74,876	\$ 46,546
Due from subscribers and agents, less allowance for doubtful accounts of \$700 and \$700	70,894	76,249
Materials and supplies	<u>4,137</u>	<u>4,149</u>
Total current assets	<u>149,907</u>	<u>126,944</u>
Other assets		
Deferred income taxes	<u>6,717</u>	<u>6,123</u>
Total other assets	<u>6,717</u>	<u>6,123</u>
Property, plant, and equipment		
Operating plant:		
Plant under construction	2,160	-
Plant in service	1,333,673	1,328,002
Accumulated depreciation	<u>(1,070,105)</u>	<u>(1,007,076)</u>
Total operating plant	<u>265,728</u>	<u>320,926</u>
Non-operating plant:		
Telephone plant acquisition adjustment	400,246	400,246
Accumulated amortization	<u>(220,132)</u>	<u>(200,120)</u>
Non-regulated plant in service	45,394	45,394
Accumulated depreciation	<u>(45,394)</u>	<u>(45,394)</u>
Total non-operating plant	<u>180,114</u>	<u>200,126</u>
Total property, plant, and equipment	<u>445,842</u>	<u>521,052</u>
Total assets and investments	<u>\$ 602,466</u>	<u>\$ 654,119</u>

The accompanying notes are an integral part of these financial statements.

NEW FLORENCE TELEPHONE COMPANY, INC.  
BALANCE SHEETS (Continued)  
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,281	\$ 73,189
Accounts payable-affiliates	6,155	1,497
Customer deposits	4,010	4,365
Accrued expenses	31,933	19,946
Short-term shareholder loans	30,000	-
Current portion of long-term debt	<u>6,550</u>	<u>4,756</u>
Total current liabilities	<u>85,929</u>	<u>103,753</u>
Long-term liabilities		
Deferred income taxes	-	-
Notes payable	364,469	375,535
Less: current portion of long-term debt	<u>(6,550)</u>	<u>(4,756)</u>
Total long-term liabilities	<u>357,919</u>	<u>370,779</u>
Total liabilities	<u>443,848</u>	<u>474,532</u>
Stockholders' equity		
Common stock, no par value, 600 shares authorized, 200 issued and outstanding	18,951	18,951
Additional paid in capital	21,565	21,565
Retained earnings	278,557	299,526
Treasury stock, 177 shares, recorded at cost	<u>(160,455)</u>	<u>(160,455)</u>
Total stockholders' equity	<u>158,618</u>	<u>179,587</u>
Total liabilities and stockholders' equity	<u><u>\$ 602,466</u></u>	<u><u>\$ 654,119</u></u>

The accompanying notes are an integral part of these financial statements.

NEW FLORENCE TELEPHONE COMPANY, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating revenue		
Local network	\$ 27,138	\$ 34,301
Network access	698,991	635,459
Billing and collection	145	1,805
Miscellaneous	3,280	3,718
Total operating revenue	<u>729,554</u>	<u>675,283</u>
Operating expenses		
Plant specific	160,541	182,594
Plant nonspecific	20,863	77,352
Customer operations	89,998	95,984
Corporate operations	371,492	429,591
Depreciation	63,030	62,781
Total operating expenses	<u>705,924</u>	<u>848,302</u>
Operating taxes		
Income taxes (benefit)	13,579	(80,605)
Other operating taxes	8,026	10,088
Total operating expenses and taxes	<u>727,529</u>	<u>777,785</u>
Operating income (loss)	<u>2,025</u>	<u>(102,502)</u>
Non-operating revenue (expense)		
Other income (loss)	(20,512)	(21,262)
Non-regulated income	67,177	76,565
Non-regulated expense	(72,155)	(64,648)
Interest and dividend income	-	-
Income taxes (expense) benefit	14,173	(4,068)
Non-operating income (loss)	<u>(11,317)</u>	<u>(13,413)</u>
Net income (loss) before fixed charges	(9,292)	(115,915)
Fixed charges	<u>(11,677)</u>	<u>(27,066)</u>
Net income (loss)	<u>\$ (20,969)</u>	<u>\$ (142,981)</u>

The accompanying notes are an integral part of these financial statements.

NEW FLORENCE TELEPHONE COMPANY, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2010	\$ 18,951	\$ 250,000	\$ 511,180	\$ (13,888)	\$ 766,243
Adjustment to retained earnings to correct deferred taxes	-	-	(68,673)	-	(68,673)
Restated balance, December 31, 2010	18,951	250,000	442,507	(13,888)	697,570
Net income (loss)	-	-	(142,981)	-	(142,981)
Treasury stock purchased	-	(250,000)	-	(146,567)	(396,567)
Contributed capital	-	21,565	-	-	21,565
Dividends paid	-	-	-	-	-
Balance, December 31, 2011	18,951	21,565	299,526	(160,455)	179,587
Net income (loss)	-	-	(20,969)	-	(20,969)
Balance, December 31, 2012	<u>\$ 18,951</u>	<u>\$ 21,565</u>	<u>\$ 278,557</u>	<u>\$ (160,455)</u>	<u>\$ 158,618</u>

The accompanying notes are an integral part of these financial statements.

NEW FLORENCE TELEPHONE COMPANY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Net income (loss)	\$ (20,969)	\$ (142,981)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Expense of prior year construction in progress due to withdrawal of RUS loan application	-	42,757
Depreciation	63,030	62,781
Deferred taxes	(594)	(76,537)
Bad debt reserve	-	(800)
Changes in assets and liabilities		
Due from customers and agents	5,355	27,338
Materials and supplies	12	96
Prepaid expenses	-	-
Accounts payable	(65,908)	64,004
Customer deposits	(355)	(851)
Accrued expenses	<u>11,987</u>	<u>14,277</u>
Net cash provided (used) by operating activities	<u>(7,442)</u>	<u>(9,916)</u>
Cash flows from investing activities		
Depreciation on non-regulated assets	-	-
Amortization on telephone plant adjustment	20,012	20,012
Capital expenditures	(7,832)	(24,302)
(Payments on) issuance of affiliate payables	<u>4,658</u>	<u>(119)</u>
Net cash provided (used) by investing activities	<u>16,838</u>	<u>(4,409)</u>

The accompanying notes are an integral part of these financial statements.



NEW FLORENCE TELEPHONE COMPANY, INC.  
STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from financing activities		
Short-term shareholder loans	60,000	-
Payments on short-term shareholder loans	(30,000)	-
Capital contributed by shareholders	-	21,565
Proceeds from notes payable	-	13,139
Payments on notes payable	<u>(11,066)</u>	<u>(47,398)</u>
Net cash provided (used) by financing activities	<u>18,934</u>	<u>(12,694)</u>
Net increase (decrease) in cash and cash equivalents	28,330	(27,019)
Cash and cash equivalents, beginning	<u>46,546</u>	<u>73,565</u>
Cash and cash equivalents, ending	<u><u>\$ 74,876</u></u>	<u><u>\$ 46,546</u></u>
Cash paid during the year for:		
Interest	<u><u>\$ 939</u></u>	<u><u>\$ 12,449</u></u>
Income taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

New Florence Telephone Company, Inc. (the Company) is a Missouri corporation providing telecommunications services within and around Montgomery County, Missouri.

Regulation

The Company's telecommunication services are subject to limited regulation by the Missouri Public Service Commission (MoPSC), and the accounting records are maintained in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission. Regulatory actions currently pending, as well as future regulations, may impact the Company.

Accounting Records

The accounting records of the Company are maintained in accordance with accounting principles generally accepted in the United States of America and the Uniform System of Accounts prescribed by the Federal Communications Commission (FCC).

Estimates

The Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expenses and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and reduction of the accounts receivable accounts.

Comprehensive Income

The Company follows *FASB Accounting Standards Codification Sections on Reporting Comprehensive Income*. The purpose of reporting comprehensive income is to report all changes in equity of an enterprise that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. There were no comprehensive income items in 2012 and 2011.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. Cash and cash equivalents are defined as all short term cash with a maturity of three months or less. Cash equivalents are stated at cost, which approximates fair value.

Materials and Supplies

Materials and supplies are stated at the lower of average cost or market.

Property, Plant, and Equipment

Property, plant, and equipment in service and under construction is stated at cost, including overhead. Maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized. Depreciation is calculated on a straight-line basis over the estimated life of the classes of buildings and equipment in accordance with rates approved by the MoPSC. Depreciation rates range from 3.1% to 14.3%. Costs of plant retired or sold are eliminated from utility plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation.

Non-operating property, plant and equipment is stated at cost. The costs of maintenance and repairs are charged to expense. Costs of non-operating plant retired or sold are eliminated from the plant and accumulated depreciation accounts and any gain or loss is included in the statement of operations. The Company records depreciation and amortization utilizing the straight-line method over the estimated useful lives of the assets. These lives approximate the estimated service lives of the assets.

Allowance for Funds Used During Construction

The Company is required to calculate an amount to be capitalized to Plant for funds used during construction as defined by FCC Part 32 accounting policies. The calculation involves capitalizing funds at an average rate based on the Company's borrowing rate. The amount recorded for 2012 was \$0 and for 2011, the amount recorded was \$0.

Network Access Revenues

Network access revenues related to interlata and intralata toll service is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long distance carrier for access and interconnection to local facilities. The Company follows an access tariff filed with the MoPSC for these charges.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Network Access Revenues (Continued)

When network access revenues have been received pursuant to the settlement and access agreements above, they are divided into traffic sensitive, nontraffic sensitive, and billing and collecting portions. The revenues are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained. The Company participates in pooling arrangements with the National Exchange Carrier Association (NECA) for payment of the federal universal service charge approved by the FCC and administered and disbursed by NECA.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months after the close of the related calendar years (NECA only), are recorded in the year in which such adjustments become determinable, based upon studies by an outside consultant. The Company received and expects to receive a significant portion of its annual operating revenue from NECA.

Financial Instruments

The Company follows *FASB Accounting Standards Codification Section 825 on Disclosures about Fair Value of Financial Instruments*. The Statement extends fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheets, for which it is practicable to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The fair value of the Company's financial instruments approximates carrying value. Interest is charged on loans and notes receivable and recognized when earned. Fair values were estimated based on quoted market prices and on current rates offered to the Company for debt with similar terms and maturities.

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of debt agreements. Concentration of credit risk with respect to trade receivables are limited due to the Company's large number of customers. No collateral is required by the Company to support financial instruments subject to credit risk.

Reclassification of Prior Year Amounts

Certain amounts as previously reported in 2011 have been reclassified to conform to the 2012 financial statement presentation.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 2. PROPERTY, PLANT, AND EQUIPMENT**

Listed below are the major classes of property, plant, and equipment in service:

	2012	2011
Operating:		
General support facilities	\$ 231,147	\$ 231,147
Central office equipment	373,137	373,137
Cable & wire facilities	729,389	723,718
Total plant in service	1,333,673	1,328,002
Plant under construction	2,160	-
Total operating property, plant and equipment	<u>\$ 1,335,833</u>	<u>\$ 1,328,002</u>

A provision for depreciation has been made for the major classes of telephone operating plant using the straight-line composite rates as follows:

	2012	2011
General support facilities	3.00%-10.00%	3.00%-10.00%
Central office equipment	8%-12.5%	8%-12.5%
Cable & wire facilities	5.00%	5.00%

For the years 2009-2011, the depreciable percentages or lives, with the approval of the Missouri PSC, was accelerated in order to fully depreciate the electronics because management was planning to replace the digital switching and other digital electronic equipment after 2011. The replacement did not happen in 2012 and has been put off indefinitely by management.

The provision for depreciation on operating property, plant and equipment was \$63,030 for 2012 and \$62,781 for 2011.

	2012	2011
Non-operating:		
Non-regulated plant:		
Public telephone equipment	\$ 5,934	\$ 5,934
Customer premise equipment	1,600	1,600
Internet equipment	37,860	37,860
Total non-regulated plant	45,394	45,394
Telephone plant acquisition adjustment	400,246	400,246
Total non-operating property, plant and equipment	<u>\$ 445,640</u>	<u>\$ 445,640</u>

Non-operating property, plant and equipment is recorded at cost. The Company provides depreciation by using the straight-line method based on estimated useful lives. The provision for depreciation on non-operating property, plant and equipment was \$0 for 2012 and \$0 for 2011.

During 2001, the Company purchased telecommunications equipment from a related party using prevailing prices that exceeded its cost by \$400,246. Part 32 of the FCC's Uniform System of Accounting requires that excess payments to affiliates and other related parties for telecommunications plant be recorded as an acquisition adjustment to telecommunications plant and amortized over a reasonable period. Accordingly, the acquisition adjustment is being amortized using the straight-line method over twenty years. Annual amortization approximates \$20,012 and is a charge to non-operating expense. Accumulated amortization was \$220,132 at December 31, 2012 and \$200,120 at December 31, 2011.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 3. RELATED PARTY TRANSACTIONS**

Services are performed for the Company by affiliated companies, which are related through common ownership. The Company entered into an arrangement with Direct Communications Starwest, Inc. in 2011, for management services, accounting, building and equipment rent, and IT service and support fees. The amount paid for these services was \$85,920 in 2011. In 2012, the agreement was for management services, accounting, and service and support fees. In 2012, the amount paid was \$75,300. \$202 was owed to Direct Communications Star West, Inc. at December 31, 2012 and is reflected as accounts payable-affiliates in the financial statements. The Company also has an agreement with Direct Communications Rockland, Inc. to provide long distance related services to its subscribers and for various promotional charges that Rockland may incur on behalf of the Company. The long distance services are provided each month and billed to the subscribers of the Company and the long distance portion is recorded as a payable to Direct Communications Rockland, Inc. The same process is used for the various promotional purchases. The amount paid in 2012 was \$11,009 and in 2011 was \$10,255. The amount owed to Direct Communications Rockland, Inc. at December 31, 2012 and 2011 was \$2,246 and \$1,497, respectively, and is presented as an accounts payable-affiliates in the financial statements. The Company also has related party loans with the affiliated entities detailed in Note 8. All of the long term debt except GMAC and Mid America Computer Corporation is with related entities, who are commonly owned.

**NOTE 4. CONCENTRATIONS OF CREDIT RISK**

The Company maintains most of its cash accounts in commercial banks located in Missouri and Idaho. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. A summary of the total insured and uninsured cash balances follows:

	2012	2011
Total cash and cash equivalents per books	<u>\$ 74,876</u>	<u>\$ 46,546</u>
Total cash on deposit (bank balance)	\$ 75,904	\$ 51,462
Portion uninsured by FDIC	<u>-</u>	<u>-</u>
Insured balances	<u>\$ 75,904</u>	<u>\$ 51,462</u>

Credit sales are made to the Company's customers in the ordinary course of business. Generally, these sales are unsecured.

**NOTE 5. RETIREMENT PLANS**

**Multi-Employer Defined Benefit Plan**

The Company participates in the NTCA (National Telephone Cooperative Association) Retirement and Security Program (the Program), which is a multi-employer defined benefit plan. The Company participated in this plan for 2012 and 2011. The plan is a defined benefit pension plan covering many full-time employees of NTCA, its affiliates, and its members that have adopted the plan. The most readily available information of the plan is as of January 1, 2011. Pursuant to Internal Revenue Code Section 413(c)(4), the Program is considered a Multiple Employer Master Plan. Employers who adopt the Program make contributions quarterly to the Program. These contributions are calculated as a percentage of each participant's compensation with the percentage of each company specified in the employer's adoption agreement. The Company's percentage is 6% for both years. Voluntary contributions by participants are not permitted. Participants who retire at age 65(normal program retirement age) or age 55 (the Program's early retirement age) or at an age between those two, are entitled to a monthly annuity or a lump-sum payment.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 5. RETIREMENT PLANS (Continued)**

There is no minimum service requirement to qualify for this benefit. The normal benefit payable is calculated using the participant's highest five compensation years from the past 10 years of credited service, multiplied by the sum of accumulated company and participant net contribution percentages made prior to January 1, 2008, and the actuarial factor of 0.2168 plus the sum of accumulated company and participant net contribution percentages made after December 31, 2007, and the actuarial factor of .2091. If an employee retires early, the benefit is reduced using the Program's early commencement factors. Participating employers with fewer than 400 participants do not pay annual contributions that represent more than 5% of the total annual contributions of the Program. The Program has not imposed a critical status surcharge contribution. The Program does not have a certified zone status as currently defined by the Pension Protection Act of 2006. The Program meets ERISA minimum funding requirements. The funding target Attainment Percentage valued as of January 1, 2011, is 88.59%. An employer may be subject to a withdrawal liability if the company ceases participation in the Program. The Program's actuarial cost method is the "Aggregate Cost Method." The following information is presented for the plan as of January 1, 2011:

1. The Program's past service cost is \$0.
2. The Program's assumed rate of return is 7.5%.
3. As of the January 1, 2011 valuation, the actuarial present value of accumulated plan benefits was \$1,267,739,443 (including \$356,058,933 in vested benefits for retired participants and current beneficiaries; \$821,321,508 in benefits to participating employees and deferred vested benefits for former employees, and \$90,359,002 in non-vested benefits).
4. The \$1,267,739,443 actuarial present value of accumulated plan benefits is the sum of the following:
  - a. Present value of accrued benefits on January 1, 2010, of \$1,212,404,328; and
  - b. Net increase during 2010 of \$55,335,115.
5. The \$55,335,115 net increase during 2010 is the sum of the following:
  - a. Plan amendments of \$0.
  - b. Change in actuarial assumptions of \$10,420,562.
  - c. Benefits accumulated of \$72,761,153.
  - d. Decrease in the discount period of \$85,669,279.
  - e. Benefits paid of \$140,294,558.
  - f. Benefits transferred to other plans of \$0.
  - g. Actuarial (gains)/losses of \$26,778,679
6. The Program's employer identification number and plan number is 52-0741336/333.
7. There are no collective-bargaining agreements that require contributions to the Program.
8. The total employer contributions for 2012 were \$16,313 and for 2011 were \$25,002.

**Defined Contribution Plan**

The Company also participates in the National Telephone Cooperative Association Savings Plan, which is a defined contribution plan under the provisions of ERISA and the Internal Revenue Code. All eligible employees of the Company can participate in the plan. Vesting in the contributions is immediate. Employees can contribute up to the maximum allowable under the plan. The Company matches employee contributions up to 6% of eligible compensation. The annual contributions in 2012 and 2011 were \$11,707 and \$18,428, respectively.



NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 6. INCOME TAXES**

In accordance with *FASB Accounting Standards Codification Section 740 on Accounting for Income Taxes*, deferred income tax assets and liabilities are computed annually for differences between financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Income tax currently payable is allocated in accordance with the Company's contribution to taxable income of the consolidated group. In prior years, the Company joined in a consolidated return with Tiger Telephone, Inc. and has open tax years for the current year and three prior years.

At December 31, 2012 and 2011, the Company had deferred tax assets (liabilities) of \$6,717 and \$6,123, respectively. Deferred taxes result from differences in depreciation, amortization, bad debt allowance and other temporary differences for financial statement and income tax reporting and from net operating loss carry forwards. The net operating loss carryforward from 2011 is \$163,222 and able to be carried forward for twenty years, expiring in 2031. \$26,215 of the carryforward was used to offset income tax in 2012, leaving a carryforward balance as of December 31, 2012, of \$137,007.

Operating income tax:

	2012	2011
Federal		
Current provision (benefit)	\$ 20,206	\$ (52,516)
Prior year under (over) accrual	-	(401)
Deferred provision (benefit)	(8,852)	(14,475)
	<u>11,354</u>	<u>(67,392)</u>
State		
Current provision (benefit)	3,960	(10,298)
Prior year under (over) accrual	-	(77)
Deferred provision (benefit)	(1,735)	(2,838)
	<u>2,225</u>	<u>(13,213)</u>
Total operating income tax expense (benefit)	<u>13,579</u>	<u>(80,605)</u>
Non-operating income tax		
Federal provision (benefit)	(11,850)	(2,979)
State provision (benefit)	(2,323)	(584)
Federal-deferred provision (benefit)	-	6,380
State-deferred provision (benefit)	-	1,251
Over accrual of prior year taxes	-	-
Total non-operating income tax expense (benefit)	<u>(14,173)</u>	<u>4,068</u>
Total income tax expense (benefit)	<u>\$ (594)</u>	<u>\$ (76,537)</u>



NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 7. ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2012 and 2011, consist of the following:

	2012	2011
Accounts receivable:		
Subscribers	\$ 5,354	\$ 20,736
Agents and network access	20,724	19,146
NECA-federal universal service fund	45,516	37,067
Affiliates	-	-
Other	-	-
Subtotal	71,594	76,949
Less: allowance for bad debts	(700)	(700)
	<u>\$ 70,894</u>	<u>\$ 76,249</u>

**NOTE 8. LONG TERM AND SHORT TERM DEBT**

The Company had the following outstanding long term debt at December 31, 2012 and 2011.

	2012	2011
\$23,445 note payable to General Motors Acceptance Corporation, interest rate is based on a variable rate that initially was 5%, monthly payments of \$442, including principal and interest, beginning September 2008 and ending August 2013. Collateralized by a vehicle.	\$ 3,109	\$ 8,094
\$190,558 note payable to Direct Communications Star West, Inc., interest rate of 3%. This note is being re-financed as a demand note with a maturity of 2016, at which time all of the unpaid note balance will be due plus accrued interest.	243,324	183,039
\$15,655 note payable to Direct Communications Cedar Valley, LLC, interest rate of 3%. This note is being re-financed as a demand note with a maturity of 2016, at which time all of the unpaid note balance will be due plus accrued interest.	15,655	75,940

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 8. LONG TERM DEBT (continued)**

\$98,940 note payable to North State Telephone Company, Inc, interest rate of 3%. This note is payable as a demand note with a maturity of 2016, at which time all of the unpaid note balance will be due plus accrued interest.

	98,940	98,940
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\$13,139 note payable to Mid America Computer Corporation, interest rate of 8%, monthly payments of \$500, including principal and interest, beginning August 2011 and ending July 2013. Collateralized by computer software.

	<u>3,441</u>	<u>9,522</u>
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Total long-term debt  
Less: current portion

	364,469	375,535
	<u>(6,550)</u>	<u>(4,756)</u>

Net long-term debt

	<u><u>357,919</u></u>	<u><u>370,779</u></u>
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The future annual requirements for debt service on long-term debt are as follows:

2013	6,550
2014	-
2015	-
2016	<u>357,919</u>
Total	<u><u>364,469</u></u>

During 2012, two of the shareholders loaned the Company \$30,000 each for a total of \$60,000 to provide operating cash. \$15,000 was repaid to each of them prior to year end. As of December 31, 2012, \$30,000 was still outstanding. This is expected to be paid in 2013.

**NOTE 9. MOPSC CERTIFICATION FOR USF SUPPORT**

During 2007, the Company received approval for participation in both the federal universal service fund and the Missouri Public Service Commission approved the certification to once again allow the Company to participate in the universal service fund. The Company received this funding during 2008 and continued to participate in the federal and state universal service funds during 2012 and 2011.

NEW FLORENCE TELEPHONE COMPANY, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**NOTE 10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the auditor's report date, which is the date that the financial statements were available to be issued.

**NOTE 11. STOCK RE-PURCHASE**

The Company's shareholders and directors approved unanimous written consent to a stock split whereby the 119 shares of stock owned by Tiger Telephone, Inc., the parent company, would be exchanged for 400 shares of post-split stock shares with the split being effective on January 1, 2011. Also on January 1, 2011, following the stock split approval, the directors approved a unanimous written consent to repurchase 200 shares of the stock owned by Tiger Telephone, Inc. in exchange for the payment of cash from Tiger Telephone, Inc. and the assumption of Tiger Telephone, Inc. debt as follows:

Note payable to North State Telephone Company	\$ 103,004
Note payable to Direct Communications Cedar Valley, LLC	103,004
Note payable to Direct Communications Star West, Inc.	<u>190,558</u>
Total debt assumption	396,566
Cash repaid to New Florence	<u>-</u>
Total stock re-purchase price	<u>\$ 396,566</u>

Upon re-purchase of the 200 stock shares from Tiger Telephone, Inc., the directors by unanimous written consent and pursuant to the provisions of Section 251.240.2 of the Revised Statutes of the State of Missouri, as amended, voted to retire the 200 stock shares that were re-purchased from Tiger Telephone, Inc. This approval was adopted on January 1, 2011, leaving 200 shares of stock outstanding.

On January 7, 2011, the shareholders of Tiger Telephone, Inc. entered into a stock purchase agreement with Tiger Telephone, Inc. to purchase all of the outstanding shares of New Florence Telephone Company and to operate the Company as a stand alone entity separate from Tiger Telephone, Inc. for 2011 and forward.

**NOTE 12. PRIOR PERIOD ADJUSTMENT-CORRECTION OF AN ERROR**

During 2012, an error in the calculation of deferred income tax was discovered requiring the restatement of previously issued financial statements. There was an error in the inclusion of amortization on the plant adjustment in the deferred tax calculation but in 2012, it was determined that the amortization was incorrectly included in the deferred tax calculation and that necessitated the removal of the amounts related to the accumulated amortization for 2011 and prior years. The total adjustment amounted to a reduction of beginning 2011 retained earnings in the amount of \$(68,673) and a reduction in the deferred income tax expense reported as an income tax benefit in 2011 of \$(7,633). The total affect of the adjustment amounted to \$76,306.



To the Board of Directors  
New Florence Telephone Company  
P.O. Box 146  
Rockland, ID 83271-0146

In planning and performing our audit of the financial statements of New Florence Telephone Company as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered New Florence Telephone Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we noted other matters that we have reviewed with management verbally during the course of the audit and we also identified matters identified below.

1. During the course of our audit, we found that controls over the entry of accounts payable invoices for payment could be improved. Presently, one clerk is receiving the invoices and entering the invoices into the payable

system when time is available. As a result, we found many 2012 invoices that had not been entered into the system for payment and as such, were not recorded in the general ledger. Some of the invoices were past due at the time we reviewed the invoices and will result in the Company paying late fees.

2. During our testing of carrier access billings and the related receivables, we found that the senior accounting staff are not adequately reviewing the monthly billing activity and related collection of the amounts due the Company. We found one billing to AT&T that had gone unpaid for the entire year. Upon review, it was discovered that the billing was being sent to the wrong address. This was corrected and the receivable was subsequently received. Without our testing, we are unsure if this would have been corrected. The assigned billing clerk was aware of the uncollected amount but had not investigated the matter and the senior accounting staff had not reviewed or followed up on the matter.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Wiggins & Co., LLC*

Brigham City, Utah  
February 7, 2013

	Present Year Year To Date	Previous Year Year To Date	*Increase/ Decrease*	Previous Year Year Ending
<b>CURRENT ASSETS</b>				
CHECKING - GENERAL FUNDS (ZIONS BANK)	\$68,804.24	\$39,649.86	\$29,154.38	\$39,649.86
CHECKING - FLEX ACCOUNT FOR HEALTH INS	\$1,859.49	\$1,859.49	\$0.00	\$1,859.49
CHECKING - PEOPLES SAVINGS BANK (NEW FLO	\$3,562.87	\$4,386.67	(\$823.80)	\$4,386.67
WORKING CASH ADVANCES	\$500.00	\$500.00	\$0.00	\$500.00
CUSTOMER CASH DRAWER	\$150.00	\$150.00	\$0.00	\$150.00
CASH AND EQUIVALENTS	\$74,876.60	\$46,546.02	\$28,330.58	\$46,546.02
CASH - REA CONSTRUCTION FUND	\$0.00	\$0.00	\$0.00	\$0.00
<b>TELECOMMUNICATIONS ACC RECEIVABLE BILLED</b>				
ALLOWANCE FOR UNCOLLECTIBLE REVENUE	\$5,354.45	\$20,735.78	(\$15,381.33)	\$20,735.78
TELECOMMUNICATIONS ACCTS RECEIVABLE	(\$700.00)	(\$700.00)	\$0.00	(\$700.00)
	\$4,654.45	\$20,035.78	(\$15,381.33)	\$20,035.78
<b>ACCOUNTS RECEIVABLE - NECA</b>				
A/R CABS MACC CONSOLIDATED BILLING	\$45,516.00	\$37,067.00	\$8,449.00	\$37,067.00
A/R CABS CONSOLIDATED WIRELESS BILLING	\$2,642.55	\$6,317.57	(\$3,675.02)	\$6,317.57
A/R CABS 0000 RBOC	\$0.00	\$812.38	(\$812.38)	\$812.38
A/R CABS 0222 VERIZON	\$18.22	\$14.80	\$3.42	\$14.80
A/R CABS 0288 AT&T	\$699.59	\$1,678.23	(\$978.64)	\$1,678.23
A/R CABS 0333 SPRINT	\$15,647.18	\$6,657.15	\$8,990.03	\$6,657.15
A/R CABS 0432 QWEST	\$1,030.17	\$1,516.97	(\$486.80)	\$1,516.97
A/R - Special Access - Norfolk Southern	\$566.92	\$1,610.41	(\$1,043.49)	\$1,610.41
A/R - Special Access - Peoples Savings	\$118.71	\$117.00	\$1.71	\$117.00
A/R - Special Access - Ameren	\$0.00	\$283.80	(\$283.80)	\$283.80
OTHER ACCOUNTS RECEIVABLE	\$0.00	\$138.38	(\$138.38)	\$138.38
	\$66,239.34	\$56,213.69	\$10,025.65	\$56,213.69
INTEREST AND DIVIDENDS RECEIVABLE	\$0.00	\$0.00	\$0.00	\$0.00
MATERIALS AND SUPPLIES REGULATED	\$4,136.81	\$4,148.98	(\$12.17)	\$4,148.98
MATERIAL - REGULATED	\$4,136.81	\$4,148.98	(\$12.17)	\$4,148.98
PREPAYMENTS	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL CURRENT ASSETS	\$149,907.20	\$126,944.47	\$22,962.73	\$126,944.47
<b>NONCURRENT ASSETS</b>				
PUBLIC TELEPHONE EQUIPMENT	\$5,934.25	\$5,934.25	\$0.00	\$5,934.25
PAY PHONE RES	(\$5,934.25)	(\$5,934.25)	\$0.00	(\$5,934.25)
NONREG LEASED INV	\$1,600.00	\$1,600.00	\$0.00	\$1,600.00

	Present Year Year To Date	Previous Year Year To Date	*Increase/ Decrease*	Previous Year Year Ending
NONREG LEASED INVESTMENT	(\$1,600.00)	(\$1,600.00)	\$0.00	(\$1,600.00)
NONREG INVESTMENT - INTERNET EQUIPMENT	\$37,860.21	\$37,860.21	\$0.00	\$37,860.21
INTERNET EQUIPMENT RES	(\$37,860.21)	(\$37,860.21)	\$0.00	(\$37,860.21)
NON-REGULATED INVESTMENTS	\$0.00	\$0.00	\$0.00	\$0.00
DEFERRED TAX ASSET FED	\$5,614.00	\$68,916.00	(\$63,302.00)	\$68,916.00
DEFERRED TAX ASSET STATE	\$1,103.00	\$13,513.00	(\$12,410.00)	\$13,513.00
DEFERRED CHARGES	\$6,717.00	\$82,429.00	(\$75,712.00)	\$82,429.00
TOTAL NONCURRENT ASSETS	\$6,717.00	\$82,429.00	(\$75,712.00)	\$82,429.00
LAND	\$8,689.07	\$8,689.07	\$0.00	\$8,689.07
MOTOR VEHICLES	\$23,444.95	\$23,444.95	\$0.00	\$23,444.95
OTHER WORK EQUIPMENT	\$8,335.55	\$8,335.55	\$0.00	\$8,335.55
BUILDINGS	\$152,319.45	\$152,319.45	\$0.00	\$152,319.45
FURNITURE	\$8,907.71	\$8,907.71	\$0.00	\$8,907.71
OFFICE SUPPORT EQUIPMENT	\$7,152.67	\$7,152.67	\$0.00	\$7,152.67
GENERAL PURPOSE COMPUTERS	\$22,297.04	\$22,297.04	\$0.00	\$22,297.04
DIGITAL ELECTRONIC SWITCHING	\$204,537.40	\$204,537.40	\$0.00	\$204,537.40
DIGITAL ELECTRONICS COMMON	\$9,865.33	\$9,865.33	\$0.00	\$9,865.33
DIGITAL ELECTRONICS - POWER	\$16,324.59	\$16,324.59	\$0.00	\$16,324.59
DIGITAL SUBSCRIBER CARRIER EQUIPMENT	\$80,629.04	\$80,629.04	\$0.00	\$80,629.04
INTEREXCHANGE DIGITAL CIRCUIT EQUIPMENT	\$6,762.45	\$6,762.45	\$0.00	\$6,762.45
DSL INTEREXCHANGE EQUIPMENT	\$55,018.85	\$55,018.85	\$0.00	\$55,018.85
POLES	\$2,354.12	\$2,354.12	\$0.00	\$2,354.12
AERIAL CABLE - METAL	\$9,409.68	\$9,409.68	\$0.00	\$9,409.68
DROP & BLOCK - AERIAL	\$6,587.85	\$6,587.85	\$0.00	\$6,587.85
UNDERGROUND CABLE - METAL	\$1,795.13	\$1,795.13	\$0.00	\$1,795.13
BURIED CABLE	\$637,265.96	\$631,595.46	\$5,670.50	\$631,595.46
DROP & BLOCK - BURIED	\$56,942.67	\$56,942.67	\$0.00	\$56,942.67
CONDUIT SYSTEMS	\$15,032.67	\$15,032.67	\$0.00	\$15,032.67
TELECOMM PLANT-IN-SERVICES	\$1,333,672.18	\$1,328,001.68	\$5,670.50	\$1,328,001.68
CONSTRUCTION WORK IN PROGRESS	\$2,160.00	\$0.00	\$2,160.00	\$0.00
PLANT UNDER CONSTRUCTION	\$2,160.00	\$0.00	\$2,160.00	\$0.00
TELEPHONE PLANT ADJUSTMENT	\$400,246.00	\$400,246.00	\$0.00	\$400,246.00
TPAA ACCUMULATED AMORTIZATION	(\$220,132.32)	(\$200,120.28)	(\$20,012.04)	(\$200,120.28)
PLANT ADJUSTMENT NONOPERATING	\$180,113.68	\$200,125.72	(\$20,012.04)	\$200,125.72



	Present Year Year To Date	Previous Year Year To Date	*Increase/ Decrease*	Previous Year Year Ending
ACCUMULATED DEPRECIATION MOTOR VEHICLES	(\$19,343.45)	(\$14,654.33)	(\$4,689.12)	(\$14,654.33)
ACCUMULATED DEPRECIATION OTHER WORK EQUI	(\$8,335.55)	(\$8,335.55)	\$0.00	(\$8,335.55)
ACCUMULATED DEPRECIATION BUILDINGS	(\$103,526.42)	(\$98,956.82)	(\$4,569.60)	(\$98,956.82)
ACCUMULATED DEPRECIATION FURNITURE	(\$8,907.71)	(\$8,907.71)	\$0.00	(\$8,907.71)
ACCUMULATED DEPRECIATION OFFICE SUPPORT	(\$7,152.67)	(\$6,641.67)	(\$511.00)	(\$6,641.67)
ACCUMULATED DEPRECIATION GENERAL PURPOSE	(\$15,151.57)	(\$10,692.37)	(\$4,459.20)	(\$10,692.37)
ACCUMULATED DEPRECIATION DIGITAL SWITCH	(\$204,537.40)	(\$204,537.40)	\$0.00	(\$204,537.40)
ACCUMULATED DEPRECIATION DIGITAL ELEC CO	(\$9,865.33)	(\$9,584.80)	(\$280.53)	(\$9,584.80)
ACCUMULATED DEPRECIATION DIGITAL ELEC. P	(\$15,149.34)	(\$13,108.86)	(\$2,040.48)	(\$13,108.86)
ACCUMULATED DEPRECIATION DIGITAL SUBSCRI	(\$55,112.08)	(\$47,049.52)	(\$8,062.56)	(\$47,049.52)
ACCUMULATED DEPRECIATION DIGITAL INTEREX	(\$4,494.39)	(\$3,818.19)	(\$676.20)	(\$3,818.19)
ACCUMULATED DEPRECIATION DSL INTEREXCHAN	(\$13,975.45)	(\$8,473.81)	(\$5,501.64)	(\$8,473.81)
ACCUMULATED DEPRECIATION POLES	(\$2,354.12)	(\$2,354.12)	\$0.00	(\$2,354.12)
ACCUMULATED DEPRECIATION AERIAL CABLE -	(\$6,120.94)	(\$5,697.46)	(\$423.48)	(\$5,697.46)
ACCUMULATED DEPRECIATION DROP & BLOCK ME	(\$6,612.44)	(\$6,612.44)	\$0.00	(\$6,612.44)
ACCUMULATED DEPRECIATION UNDERGROUND CAB	(\$1,474.33)	(\$1,393.57)	(\$80.76)	(\$1,393.57)
ACCUMULATED DEPRECIATION BURIED CABLE	(\$537,205.91)	(\$508,708.49)	(\$28,497.42)	(\$508,708.49)
ACCUMULATED DEPRECIATION DROP & BLOCK BU	(\$44,305.81)	(\$41,743.33)	(\$2,562.48)	(\$41,743.33)
ACCUMULATED DEPRECIATION CONDUIT SYSTEMS	(\$6,482.21)	(\$5,805.77)	(\$676.44)	(\$5,805.77)
LESS ACCUMULATED DEPRECIATION	(\$1,070,107.12)	(\$1,007,076.21)	(\$63,030.91)	(\$1,007,076.21)
NET PLANT	\$445,838.74	\$521,051.19	(\$75,212.45)	\$521,051.19
TOTAL ASSETS	\$602,462.94	\$730,424.66	(\$127,961.72)	\$730,424.66
CURRENT LIABILITIES				
ACCOUNTS PAYABLE - NEW FLORENCE	\$3,707.18	\$0.00	\$3,707.18	\$0.00
ACCOUNTS PAYABLE CLEARING	\$4,864.67	\$71,976.62	(\$67,111.95)	\$71,976.62
ACCOUNTS PAYABLE FEDERAL EXCISE TAX	\$0.00	\$139.80	(\$139.80)	\$139.80
ACCOUNTS PAYABLE STATE INCOME TAX WITHHOLD	\$898.00	\$0.00	\$898.00	\$0.00
ACCOUNTS PAYABLE SALES TAX	\$459.55	\$0.00	\$459.55	\$0.00
ACCOUNTS PAYABLE STATE UNEMPLOYMENT	\$0.00	\$31.95	(\$31.95)	\$31.95
ACCOUNTS PAYABLE MISSOURI UNIVERSAL SERVI	\$25.95	\$29.17	(\$3.22)	\$29.17
ACCOUNTS PAYABLE MISSOURI RELAY & TRS FU	\$114.00	\$121.97	(\$7.97)	\$121.97
ACCOUNTS PAYABLE MONTGOMERY COUNTY E911	\$554.57	\$890.07	(\$335.50)	\$890.07
ACCOUNTS PAYABLE COUNTY & CITY TAX	\$362.84	\$0.00	\$362.84	\$0.00
ACCOUNTS PAYABLE - DC Starwest	\$201.80	\$0.00	\$201.80	\$0.00
ACCOUNTS PAYABLE DIRECT COMM. LONG DISTA	\$933.30	\$1,496.78	(\$563.48)	\$1,496.78
ACCOUNTS PAYABLE - ROCKLAND	\$1,313.09	\$0.00	\$1,313.09	\$0.00
ACCOUNTS PAYABLE	\$13,434.95	\$74,686.36	(\$61,251.41)	\$74,686.36

	Present Year Year To Date	Previous Year Year To Date	*Increase/ Decrease*	Previous Year Year Ending
CUSTOMERS DEPOSITS	\$4,010.00	\$4,365.00	(\$355.00)	\$4,365.00
CUSTOMER DEPOSITS	\$4,010.00	\$4,365.00	(\$355.00)	\$4,365.00
INCOME TAXES ACCRUED	\$0.00	\$0.00	\$0.00	\$0.00
OTHER TAXES ACCRUED	\$0.00	\$0.00	\$0.00	\$0.00
WAGES & OTHER COMPENSATION ACCRUED	\$6,579.84	\$5,330.92	\$1,248.92	\$5,330.92
INTEREST EXPENSE ACCRUED	\$25,353.25	\$14,615.40	\$10,737.85	\$14,615.40
CURRENT PORTION OF LONG-TERM DEBT	\$6,550.00	\$8,047.00	(\$1,497.00)	\$8,047.00
OTHER CURRENT LIABILITIES	\$38,483.09	\$27,993.32	\$10,489.77	\$27,993.32
TOTAL CURRENT LIABILITIES	\$55,928.04	\$107,044.68	(\$51,116.64)	\$107,044.68
LONG-TERM DEBT				
NOTE PAYABLE - GARRIN BOTT	\$15,000.00	\$0.00	\$15,000.00	\$0.00
N/P - May's Mini Acres	\$15,000.00	\$0.00	\$15,000.00	\$0.00
N/P GMAC 08 SILVERADO	\$3,108.63	\$8,094.20	(\$4,985.57)	\$8,094.20
Note Payable - Starwest	\$243,323.72	\$183,038.73	\$60,284.99	\$183,038.73
Note Payable - Cedar Valley	\$15,654.90	\$75,939.89	(\$60,284.99)	\$75,939.89
Note Payable - North State	\$98,939.89	\$98,939.89	\$0.00	\$98,939.89
N/P - MACC Customer Master Software	\$3,441.12	\$9,521.53	(\$6,080.41)	\$9,521.53
CURRENT PORTION OF LONG TERM DEBT	(\$6,550.00)	(\$8,047.00)	\$1,497.00	(\$8,047.00)
NOTES PAYABLE	\$387,918.26	\$367,487.24	\$20,431.02	\$367,487.24
FUNDED DEBT-REA NOTES	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL LONG-TERM DEBT	\$387,918.26	\$367,487.24	\$20,431.02	\$367,487.24
OTHER LIABILITIES AND DEFERRED CREDITS				
TOTAL OTHER LIAB & DEFERRED CREDITS	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL LIABILITIES	\$443,846.30	\$474,531.92	(\$30,685.62)	\$474,531.92
EQUITY				
CAPITAL STOCK MEMBERSHIPS	\$18,950.66	\$18,950.66	\$0.00	\$18,950.66
ADDITIONAL PAID-IN-CAPITAL	\$21,565.27	\$21,565.27	\$0.00	\$21,565.27
TREASURY STOCK	(\$160,455.22)	(\$160,455.22)	\$0.00	(\$160,455.22)
RETAINED EARNINGS UNAPPROPRIATED	\$299,526.03	\$511,179.30	(\$211,653.27)	\$375,832.03

	Present Year Year To Date	Previous Year Year To Date	*Increase/ Decrease*	Previous Year Year Ending
NET INCOME	(\$20,970.10)	(\$135,347.27)	\$114,377.17	\$0.00
TOTAL EQUITY	\$158,616.64	\$255,892.74	(\$97,276.10)	\$255,892.74
TOTAL LIABILITIES AND EQUITY	\$602,462.94	\$730,424.66	(\$127,961.72)	\$730,424.66

NEW FLORENCE TELEPHONE  
INCOME STATEMENT

	Present Year Current Period	%	Previous Year Current Period	Present Year Year To Date	%	Previous Year Year To Date
<b>OPERATING REVENUES</b>						
BASIC AREA REVENUE LOCAL SERVICE	\$1,732.41		\$1,842.53	\$19,627.41		\$25,536.24
OTHER LOCAL EXCHANGE REVENUES	(\$218.82)		\$775.20	\$7,510.94		\$8,764.80
LOCAL NETWORK SERVICE REVENUES	\$1,513.59		\$2,617.73	\$27,138.35		\$34,301.04
<b>INTERSTATE END USER</b>						
LIFE LINE	\$2,396.83		\$2,529.89	\$27,105.97		\$31,566.32
CARRIER COMMON LINE POOL ADJUSTMENTS	\$101.50		\$305.00	\$3,577.00		\$2,677.00
INTERSTATE SPECIAL ACCESS	\$14,004.00		\$15,206.00	\$169,217.00		\$175,649.00
UNIVERSAL SERVICE CHARGE	\$4,742.57		\$6,035.57	\$50,044.25		\$48,694.58
Access Recovery Charge	\$849.80		\$800.44	\$9,249.68		\$8,699.54
NECA OVEREARNINGS ACCRUAL	\$191.08		\$0.00	\$1,175.30		\$0.00
SWITCHED ACCESS REVENUE	(\$15.00)		(\$30.00)	(\$651.00)		(\$624.00)
SWITCHED ACCESS POOL ADJUSTMENT	\$1,283.48		\$1,091.46	\$12,994.61		\$12,867.10
HIGH COST LOOP FUND - USF	\$22,180.00		\$12,063.00	\$259,580.00		\$164,732.00
INTRASTATE ACCESS REVENUE STATE CCL	\$9,347.00		\$9,670.00	\$117,024.00		\$116,409.00
INTRASTATE ACCESS REVENUE STATE SWITCHED	\$2,161.82		\$3,865.67	\$34,695.34		\$42,120.85
WIRELESS/VOIP ACCESS REVENUE	\$631.78		\$706.22	\$7,226.93		\$22,623.73
INTRASTATE SPECIAL ACCESS REVENUE	(\$810.08)		(\$2,283.38)	\$1,786.30		\$3,231.73
UNCOLLECTIBLE OPERATING REVENUES INTRAST	\$508.31		\$604.25	\$5,965.59		\$6,829.79
NETWORK ACCESS SERVICES REVENUES	\$0.00		\$0.00	\$0.00		(\$18.77)
	\$57,573.09		\$50,564.12	\$698,990.97		\$635,457.87
<b>INTERSTATE BILLING &amp; COLLECTING</b>						
INTRASTATE BILLING & COLLECTING	\$0.00		\$77.19	\$94.26		\$557.62
CARRIER BILLING AND COLLECTION REV	(\$933.30)		\$214.95	\$51.42		\$1,247.37
	(\$933.30)		\$292.14	\$145.68		\$1,804.99
<b>MISCELLANEOUS REVENUE</b>						
MISCELLANEOUS REVENUES	\$565.61		\$179.32	\$3,280.32		\$3,617.55
MISCELLANEOUS REVENUES	\$0.00		\$0.00	\$0.00		\$99.96
	\$565.61		\$179.32	\$3,280.32		\$3,717.51
TOTAL OPERATING REVENUES	\$58,718.99		\$53,653.31	\$729,555.32		\$675,281.41
<b>OPERATING EXPENSES</b>						
LAND & BUILDING EXPENSE	\$1,234.45	2.10	\$187.22	\$19,862.10	2.72	\$4,693.48
GENERAL PURPOSE COMPUTER EXPENSE	\$651.75	1.11	\$508.94	\$15,163.56	2.08	\$30,118.70
DIGITAL ELECTRONIC EXPENSE	\$5,514.84	9.42	\$7,222.27	\$70,633.30	9.69	\$83,218.67
DIGITAL INTEREXCHANGE CIRCUIT EQUIPMENT	\$1,414.00	2.41	\$1,413.38	\$17,611.77	2.41	\$18,380.32
DSL Equipment/Expense	\$1,335.29		\$0.00	\$1,694.59		\$102.50
DIGITAL SUBSCRIBER CARRIER EQUIPMENT	\$0.00		\$0.00	\$756.94	0.10	\$0.00
POLE EXPENSE	\$0.00		\$0.00	\$517.00	0.07	\$517.00

NEW FLORENCE TELEPHONE  
INCOME STATEMENT

	Present Year Current Period	%	Previous Year Current Period	Present Year Year To Date	%	Previous Year Year To Date
BURIED CABLE EXPENSE	\$2,196.51	3.75	\$4,867.76	\$33,856.35	4.64	\$44,154.35
FIBER CABLE EXPENSE	\$0.00		\$95.73	\$0.00		\$95.73
AERIAL CABLE	\$361.44	0.61	\$274.34	\$447.04	0.06	\$1,175.53
TOOLS REQUIRED FOR OUTSIDE PLANT	\$0.00		\$0.00	\$0.00		\$137.13
PLANT SPECIFIC OPERATIONS EXPENSE	\$12,708.28		\$14,569.64	\$160,542.65		\$182,593.41
POWER EXPENSE	\$609.43	1.04	\$584.95	\$8,425.30	1.15	\$7,591.50
NETWORK ADMINISTRATION EXPENSE	\$0.00		\$969.17	\$727.82	0.09	\$12,944.20
ENGINEERING EXPENSE	\$0.00		\$44,419.42	\$0.00		\$44,419.42
ACCESS EXPENSE	\$1,277.38	2.18	\$878.34	\$11,709.18	1.60	\$12,397.32
PLANT NONSPECIFIC OPERATIONS EXP	\$1,886.81		\$46,851.88	\$20,862.30		\$77,352.44
DEPRECIATION EXPENSE PLANT IN SERVICE	\$5,192.92	8.87	\$5,343.42	\$63,030.91	8.65	\$62,781.33
DEPRECIATION EXPENSE	\$5,192.92		\$5,343.42	\$63,030.91		\$62,781.33
SALES	\$973.87	1.66	\$580.03	\$7,349.66	1.00	\$8,325.57
OPERATOR SERVICES EXPENSE	\$8.68	0.01	\$31.28	\$175.50	0.02	\$219.36
DIRECTORY EXPENSE	\$35.40	0.06	\$39.63	\$501.10	0.06	\$609.00
CUSTOMER SERVICES - COMMERCIAL	\$3,897.88	6.65	\$3,465.37	\$38,762.44	5.32	\$40,908.28
CUSTOMER SERVICES CUSTOMER BILLING-TOLL	\$1,100.05	1.87	\$1,417.27	\$12,581.83	1.72	\$13,964.96
CUSTOMER SERVICES CUSTOMER BILLING OTHER	\$1,184.36	2.02	\$1,127.36	\$11,823.44	1.62	\$12,084.11
CUSTOMER SERVICES CARRIER ACCESS BILLING	\$1,419.03	2.42	\$1,571.65	\$17,867.82	2.45	\$18,941.80
CUSTOMER SERVICE - TRS	\$0.00		\$0.00	\$936.75	0.12	\$930.65
CUSTOMER OPERATIONS EXPENSE	\$8,619.27		\$8,232.59	\$89,998.54		\$95,983.73
EXECUTIVE EXPENSES	\$24,423.27	41.72	\$23,072.12	\$214,623.25	29.46	\$245,481.04
GENERAL ACCOUNTING EXPENSE	\$4,541.39	7.75	\$3,896.25	\$48,384.88	6.64	\$50,033.91
COST CONSULTING FEES	\$3,236.39	5.52	\$923.51	\$70,599.02	9.69	\$83,575.12
AUDIT & ACCOUNTING FEES	\$350.00	0.59	\$0.00	\$13,065.00	1.79	\$19,965.00
HUMAN RESOURCES & SAFETY	\$0.00		\$0.00	\$0.00		\$2,843.63
LEGAL EXPENSES	\$414.29	0.70	\$2,596.15	\$15,413.53	2.11	\$20,752.94
OTHER GENERAL & ADMINISTRATIVE EXP. DUES	\$721.04	1.23	\$611.75	\$9,406.10	1.29	\$6,938.64
CORPORATE OPERATIONS EXPENSE	\$33,686.38		\$31,099.78	\$371,491.78		\$429,590.28
TOTAL OPERATING EXPENSES	\$62,093.66		\$106,097.31	\$705,926.18		\$848,301.19
OTHER OPERATING TAXES						
OPERATING STATE INCOME TAXES	\$3,960.00	6.76	(\$10,298.00)	\$3,960.00	0.54	(\$10,298.00)
STATE AND LOCAL TAXES	\$3,960.00		(\$10,298.00)	\$3,960.00		(\$10,298.00)

NEW FLORENCE TELEPHONE  
INCOME STATEMENT

	Present Year Current Period	%	Previous Year Current Period	Present Year Year To Date	%	Previous Year Year To Date
OPERATING FEDERAL INCOME TAXES	\$20,206.00	34.52	(\$52,516.00)	\$20,206.00	2.77	(\$52,516.00)
FEDERAL INCOME TAXES	\$20,206.00		(\$52,516.00)	\$20,206.00		(\$52,516.00)
OTHER OPERATING TAXES PROPERTY & OTHER	(\$2,062.55)	-3.52	\$10,088.48	\$8,025.93	1.10	\$10,088.48
PROV FOR DEF OPER INCOME TAX FEDERAL	(\$8,852.00)	-15.12	(\$21,258.00)	(\$8,852.00)	-1.21	(\$21,258.00)
PROV FOR DEF OPER INCOME TAX STATE	(\$1,735.00)	-2.96	(\$4,166.00)	(\$1,735.00)	-0.23	(\$4,166.00)
OTHER TAXES	(\$12,649.55)		(\$15,335.52)	(\$2,561.07)		(\$15,335.52)
TOTAL OPERATING TAXES	\$11,516.45		(\$78,149.52)	\$21,604.93		(\$78,149.52)
NET OPERATING INCOME	(\$14,891.12)		\$25,705.52	\$2,024.21		(\$94,870.26)
OTHER INCOME AND EXPENSES						
INTEREST ON FUNDED DEBT	\$0.00		\$0.00	\$0.00		\$0.00
INTEREST EXPENSE CUSTOMER DEPOSITS	\$0.00		\$156.86	\$18.29		\$186.09
OTHER INTEREST DEDUCTIONS	\$10,781.40	18.42	\$1,601.78	\$11,659.07	1.60	\$26,878.68
OTHER INTEREST EXPENSE	\$10,781.40		\$1,758.64	\$11,677.36		\$27,064.77
TELEPHONE PLANT ACCUMULATED AMORTIZATION	\$1,667.67		\$1,667.67	\$20,012.04		\$20,012.04
NONOPERATING FEDERAL INCOME TAX	(\$11,850.00)		(\$2,979.00)	(\$11,850.00)		(\$2,979.00)
NONOPERATING STATE INCOME TAXES	(\$2,323.00)		(\$584.00)	(\$2,323.00)		(\$584.00)
DEFERRED FED. INCOME TAX-NONOPERATING	\$0.00		\$6,380.00	\$0.00		\$6,380.00
DEFERRED STATE INCOME TAX-NONOPERATING	\$0.00		\$1,251.00	\$0.00		\$1,251.00
NONOPERATING INCOME	\$12,505.33		(\$5,735.67)	(\$5,839.04)		(\$24,080.04)
REVENUE - PAYPHONE	\$0.00		\$0.00	\$0.00		\$0.49
INTERNET REVENUE	\$5,951.59		\$6,141.54	\$67,177.27		\$76,564.69
SPECIAL CHARGES	\$0.00		\$0.00	\$500.00		\$1,250.00
PAYPHONE - COMMUNITY CENTER & BLD	\$0.00		\$22.18	\$0.00		\$265.73
INTERNET LINES EXPENSE	\$3,957.12		\$7,561.03	\$67,926.88		\$64,705.00
OTHER NONREGULATED EXPENSES INSIDE WIRE	\$747.87	1.27	(\$276.97)	\$4,228.30	0.58	(\$323.35)
NONREGULATED INCOME	\$1,246.60		(\$1,164.70)	(\$5,477.91)		\$10,667.80
TOTAL NET INCOME	(\$11,920.59)		\$17,046.51	(\$20,970.10)		(\$135,347.27)

Setup: NF Cash Flow	JANUARY 01/2012	FEBRUARY 02/2012	MARCH 03/2012	APRIL 04/2012	MAY 05/2012	JUNE 06/2012	JULY 07/2012	AUGUST 08/2012	SEPTEMBER 09/2012	OCTOBER 10/2012	NOVEMBER 11/2012	DECEMBER 12/2012	Year To Date
Net Income	(20,845.00)	(6,721.00)	25,317.00	(8,607.00)	(15,764.00)	(3,579.00)	(8,628.00)	10,068.00	12,433.00	(2,985.00)	10,260.00	(11,912.00)	(20,963.00)
<b>Operating Activities</b>													
Depreciation and Amortization	7,040.15	7,040.15	7,012.40	6,937.39	6,937.39	6,911.93	6,860.59	6,860.59	6,860.59	6,860.59	6,860.59	6,860.59	83,042.95
Decrease(Increase) in Accounts Receivable	2,082.81	(1,714.39)	(29,392.05)	25,581.35	(2,598.62)	(1,341.48)	(1,887.71)	(11,580.13)	16,400.79	7,332.81	(1,907.08)	4,379.38	5,355.68
Increase(decrease) in Current Liabilities	9,422.90	(27,035.50)	(15,227.77)	(338.36)	3,205.94	(6,192.53)	(944.18)	(4,310.16)	1,454.99	(7,841.18)	(14,780.76)	11,469.97	(51,116.64)
Decrease(Increase) in Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(2,371.24)	2,383.41	12.17
Increase(decrease) in Other Operating Activities	(8,383.42)	1,048.58	1,048.58	1,048.58	1,048.58	598.45	598.45	598.45	598.45	598.45	598.45	598.40	0.00
Net Operating Activities	10,162.44	(20,661.16)	(36,558.84)	33,228.96	8,593.29	(23.63)	4,627.15	(8,431.25)	25,314.82	6,950.67	(11,600.04)	25,691.75	37,294.16
<b>Investing Activities</b>													
Investment Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Expenditures (sale/(purchase) of fixed assets)	0.00	(2,160.00)	0.00	0.00	0.00	(3,361.42)	0.00	0.00	0.00	0.00	0.00	(2,309.08)	(7,830.50)
Net Investing Activities	0.00	(2,160.00)	0.00	0.00	0.00	(3,361.42)	0.00	0.00	0.00	0.00	0.00	(2,309.08)	(7,830.50)
<b>Financing Activities</b>													
Increase(decrease) in debt	(810.51)	59,422.36	(409.54)	(1,321.98)	(2,183.69)	(877.59)	(882.37)	(887.18)	(892.01)	(10,896.87)	(10,423.11)	(9,406.49)	20,431.02
Sale/(repurchase) of Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Financing Activities	(810.51)	59,422.36	(409.54)	(1,321.98)	(2,183.69)	(877.59)	(882.37)	(887.18)	(892.01)	(10,896.87)	(10,423.11)	(9,406.49)	20,431.02
<b>Cash and Cash Equivalents</b>													
Net Cash and Cash Equivalents	(11,494.34)	29,879.87	(11,587.30)	23,236.05	(9,353.17)	(3,831.55)	(4,864.16)	(3,256.95)	36,802.96	(6,881.50)	(11,760.92)	1,461.59	28,330.58
<b>Proof</b>													
Cash and Cash Equivalents - Beginning of Period	46,546.02	35,051.68	64,931.55	53,344.25	76,580.30	67,227.13	63,395.58	58,511.42	55,254.47	92,057.43	85,175.93	73,415.01	771,490.77
Cash and Cash Equivalents - End of Period	35,051.68	64,931.55	53,344.25	76,580.30	67,227.13	63,395.58	58,511.42	55,254.47	92,057.43	85,175.93	73,415.01	74,876.60	799,821.35